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Social Sciences and Humanities Research Council of Canada Quarterly Financial Report for the Quarter Ended June 30, 2013

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs

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1. Introduction

The Social Sciences and Humanities Research Council of Canada (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II of the *Financial Administration Act*. SSHRC is a funding agency that promotes and supports postsecondary research and training in the social sciences and humanities to enhance the economic, social and cultural development of Canada, its communities and regions. Social sciences and humanities research builds knowledge about people in the past and present, with a view toward creating a better future.

Further information on the SSHRC mandate and program activities can be found in Part II of the Main Estimates.

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates for 2013-14.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes SSHRC's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2013-14 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

SSHRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

2. Highlights of Fiscal Quarter

Statement of Authorities

Available Authorities

SSHRC manages total authorities of $686 million, $332.4 million of which corresponds to the tri-agency Indirect Costs Program on behalf of the other two federal research granting agencies, the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Canadian Institutes of Health Research (CIHR).

As of June 30, 2013, SSHRC's total available authorities for 2013-14 amount to $686 million. The changes in available authorities are the result of previous federal budget announcements that impact both the operating authorities (vote 90), and the grants and scholarships program authorities (vote 95) in the current fiscal year. To date, for 2013-14, these changes resulted in a decrease in total authorities of $2.6 million (0.4%) over the prior year, of which $1 million (39% of the total changes) represented a decrease in SSHRC's grants and scholarships programs while the authorities for operating and employee benefits expenditures decreased by $1.6 million.

In this quarter, total available authorities incorporate the elements of the 2013-14 Supplementary Estimates (A) (SEA). The SEA is the first of three opportunities to approve changes in SSHRC's authority

levels for the current fiscal year (other than transfers from Treasury Board votes). The vast majority of these changed elements are the result of previous federal budget announcements, while the balance relates to technical adjustments from Treasury Board and transfers between departments and agencies for specific initiatives. The future and ongoing impacts of SEA elements will be included in SSHRC's 2014-15 Main Estimates for the next fiscal year. For the ongoing elements from previous federal budget announcements or transfers between departments and agencies, only the net difference in the level of funding between the two fiscal years is presented in the explanation below. The net changes, amounting to the $2.6 million decrease in total available authorities between the current and previous fiscal year, comprise the following elements:

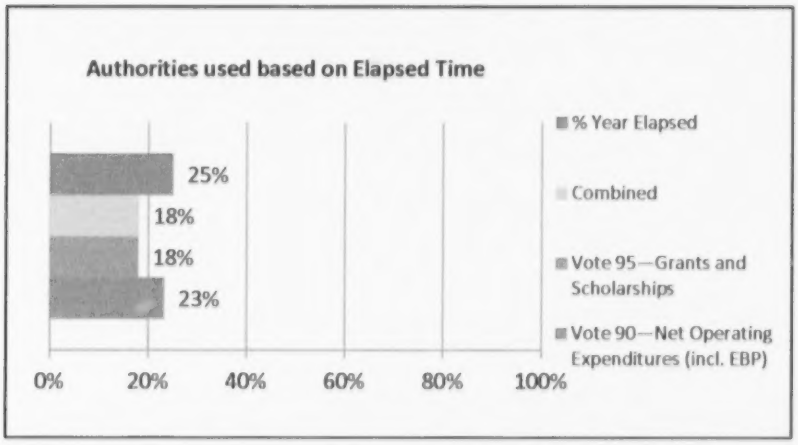
- an increase of **$7.0 million** in the Grants and Scholarships program to support world-leading research in the social sciences and humanities through industry-academic partnership initiatives (Budget 2012);
- an increase of **$3.3 million** for the Centres of Excellence for Commercialization and Research program to create a more effective and efficient way to identify commercialization opportunities (Budget 2007);
- an increase of **$1.0 million** in the Business-Led Networks of Centres of Excellence program to make the program permanent as part of an initiative to link innovative businesses to Canada's world-class researchers, helping to create and sustain knowledge-based jobs (Budget 2012);
- an increase of **$0.3 million** as part of the collective bargaining agreement;
- an increase of **$0.1 million** in the Networks of Centres of Excellence program to support the Canada-India Research Centre of Excellence initiative to foster innovative and multidisciplinary partnerships in order to accelerate community transformation and sustainability (Budget 2011);
- a decrease of **$14.0 million** as part of the Deficit Reduction Action Plan initiative to find efficiencies and reduce government spending (Budget 2012); and
- a decrease of **$0.3 million** due to a timing difference for net grant transfers—between federal departments—made to Canadian Heritage for research funding to inform policy development related to sport participation.

Authorities Used in First Quarter

This departmental QFR reflects the results of the current fiscal period in relation to the 2013-14 Main Estimates and the Supplementary Estimates (A), for which full supply was released by Parliament on June 20, 2013.

The total authorities used during the first quarter of 2013-14 amounted to $124.2 million (18% of the total available authorities; 18% of the total authorities used for grants and scholarships programs and 23% for operating expenditures and employee benefits). This represents a $6.1 million decrease from the same quarter in the previous fiscal year ($6.1 million net decrease in authorities used for grant and scholarship expenditures while the operating and employee benefit expenditures are in line with last fiscal year's first quarter spending). The decrease in grant and scholarship expenditures is mostly a result of payment timing differences between the first and second quarters of the comparative fiscal years, which are expected to offset by year-end.

Grant and scholarship payments vary between periods due to the cycle and results of the merit-reviewed funding opportunity competitions as well as the multi-year award profiles. The operating expenditures cover personnel and other operating expenses required to support the delivery of the grants and scholarships programs. Expenditures related to the Employee Benefit Plan are accounted for separately in statutory authorities. Although the majority of personnel expenditures and other operating costs are incurred in a consistent manner throughout the fiscal year, the balance of expenditures, including temporary employees hired for the peak competition season and travel costs for peer reviewers, occur in direct conjunction with the program cycle and are demand-driven. As a large proportion of the program competitions occur in the last quarter of the fiscal year, the expenditures in each of the first three quarters are typically less than 25% of the annual available operating authorities.



Statement of Departmental Budgetary Expenditures by Standard Object

Variation in Amounts Available for Use in 2013-14

As described in the Available Authorities section, SSHRC's total parliamentary authorities have been decreased by $2.6 million for 2013-14 to date over the prior year, the bulk of which is attributed to the decrease in authorities for operating expenditures and employee benefits ($1.6 million).

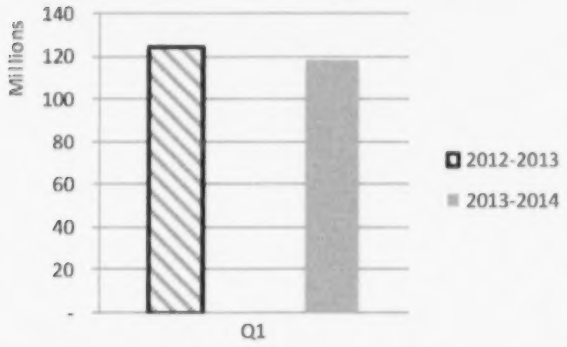
Transfer Payment Expenditures (Grants and Scholarships)

First Quarter Grant and Scholarship Expenditures
Transfer payments represent over 96% of SSHRC's total available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of the funding opportunity cycles. During the first quarter of 2013-14, SSHRC's actual transfer payment expenditures have decreased by $6.1 million over the same quarter of the previous fiscal year. The main factor for this decrease is payment timing differences between comparative quarters for the following programs:

- a decrease of $19.2 million due to later spending in the Indirect Costs Program in 2013-14 for which some payments were made in the first quarter of the previous fiscal year. This timing difference is compensated with a reversed timing difference in other programs listed below.

- an increase of $4.3 million in Partnership Grants primarily due to second year commitments that are higher than payments for the first year of the grants.
- an increase of $3.2 million in research grants (mostly Insight Development Grants) primarily due to second year commitments that are higher than payments for the first year of the grants.
- An increase of $3 million in the Connection Grants due to a higher number of awards being approved than last year at the same period.
- an increase of $2.6 million for Institutional Grants ($1.4 million) and the Canadian Initiative on Social Statistics (CISS) ($1.2 million) due to timing differences for payments made during the first quarter in 2012-13 that are scheduled at the beginning of the second quarter of this fiscal year.

Grants and Scholarships Expenditures Trend



Personnel Expenditures

Personnel expenditures in support of program delivery account for the largest proportion of SSHRC's planned operating expenditures (well over 70% of available operating authorities and planned operating expenditures for 2013–14). The personnel expenditures for the first quarter of 2013-14 are generally in line with the previous year's first quarter spending. The slight increase of $147K is explained by Maternity Leaves that were higher for the first quarter this year in comparison with the last fiscal year. As the Treasury Board Secretariat will compensate SSHRC for these expenditures and SSHRC's operating authorities will be increased accordingly in the upcoming quarters, these represent timing differences.

Non-Personnel Operating Expenditures

Non-personnel operating expenditures include all other operating costs related to the support of program delivery. A significant proportion of these costs relate to funding opportunity competitions that take place predominantly during the latter quarter of the fiscal year. Total non-personnel expenditures to date in the first quarter of 2013-14 are generally in line with the comparable expenditures of the prior year. However, there is a notable decrease occurring in transportation and communications resulting from the increasing use of teleconferencing.

3. Risks and Uncertainties

Funding and Program Delivery Risk Factors

Through the Council's most recent corporate risk identification exercise, the risks that have a potential financial impact or that deal with financial sustainability have been assessed. The impact on SSHRC and the planned mitigation strategies related to these risks are discussed below.

External Risk Factors

SSHRC is funded through annual parliamentary spending authorities and statutory authorities for program transfer payments (grants and scholarships programs) and for its supporting operating expenditures. As a result, its program activities and operations are impacted by any changes to funding approved through Parliament. Accordingly, delivering programs can be affected by factors such as the economic and political climate, technological and scientific development, and evolving government priorities, which impact approved resource levels (total available authorities).

Research and innovation are part of global trends; therefore participation in our programs is not only influenced by the Canadian context, but also by initiatives and opportunities worldwide. Formal communications and external relation strategies are developed by SSHRC to ensure that stakeholder relationships and expectations are managed effectively.

There is also the risk that SSHRC fails to achieve its mandate and strategic outcomes. To mitigate this risk, an integrated planning process has been in place at SSHRC since 2009. This process serves as the foundation for SSHRC to plan all aspects of its business in an integrated manner and, to align priorities and resources accordingly.

Internal Risk Factors

SSHRC is a knowledge-based organization that relies on maintaining its talented and committed workforce to deliver its programs. To retain its valuable human resources and their corporate memory, SSHRC has developed a People Strategy that outlines the organization's commitments and action plan for developing talent and for building and sustaining a thriving and successful workplace and work

culture. SSHRC's financial restraints are challenging the ability to hire the skilled resources needed to successfully achieve the transformation and realignment agendas to meet tomorrow's needs. Potential consequences could include workload management issues and succession planning challenges.

SSHRC is transforming its business in order to adapt more efficiently to internal changes and to improve external client service.

The budgetary pressures have required internal reductions and reallocation measures. These pressures are compounded by the operational requirement to support an increased and broadened program base while processing an increasing number of applications and absorbing inflationary costs on operating expenditures within limited or decreasing operational envelopes. SSHRC is also managing the requirement for the implementation of modernized technology solutions to better support program delivery.

Thus far, SSHRC has achieved the reduction of its operating pressures through economies of scale achieved by the shared administrative service arrangements with the Natural Sciences and Engineering Research Council of Canada (NSERC), corporate-wide prioritization and harmonization or reduction of activities, internal reallocations, and a focus on streamlining and generating efficiencies wherever possible. An established budgetary process with regular in-year budget reviews and formal reallocations for emerging priorities approved by senior management supports this endeavour. SSHRC is also undertaking a revision of its operating and grant delivery systems and processes to generate further efficiencies and future savings.

SSHRC is a lean agency in terms of operating funding provided to deliver existing and expanding programs (less than 4% of total resources). As noted above, SSHRC is pursuing business transformation to address restraint measures and funding cuts, and to enhance resource decision-making.

4. Significant Changes Related to Operations, Personnel and Programs

SSHRC has undertaken a program architecture renewal initiative to create a more flexible and effective system of program application and assessment, allowing it to maximize the contributions of research and training funds for Canada's economic prosperity and quality of life. The new program architecture has placed an emphasis on research excellence, fostering partnerships, and reporting on results. This has resulted in greater overall program coherence with flexible programming, a more responsive competition cycle, and an improved and simplified interface for applicants. The implementation of the new program architecture allows for the consolidation of existing and new funding opportunities under three umbrella programs—Talent, Insight and Connection—as well as enhanced service delivery and process re-engineering.

There were a number of important changes in comparison with the previous fiscal year that relate to operations, personnel and programs. These include the impacts generated by SSHRC's previously increased available authorities, which resulted in expanded partnership program dimensions. SSHRC is optimizing the new investment of $7 million, announced in Economic Action Plan 2012, to enhance support for industry-academic partnership initiatives. This new investment will be funded through SSHRC's partnership grants and partnership development grants. Another prevalent influence involved the continuing implementation of government-wide operating budget constraint measures and the government's efforts to return to a balanced budget for which details are described in the section below. The federal Budget 2013, tabled in March, included funding announcements with additional program

dimensions that are being implemented by SSHRC, following Treasury Board and Parliament approvals, over the course of the fiscal year.

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and modernize and reduce the back office. In the first year of implementation of the Economic Action Plan 2012, SSHRC has achieved savings of approximately $14 million in 2013-14 and ongoing. Over the Budget 2012 and Budget 2013, the Government of Canada reinvested $14 million, annually and on an ongoing basis, in the Grants and Scholarships program to support world-leading research through industry-academic partnership initiatives including research related to labour-market participation of persons with disabilities. These reinvestments are making the net impact on SSHRC's overall budget neutral for 2013-14.

SSHRC examined all of its activities and investments, with the intention of streamlining operations and ensuring maximum efficiencies.

In realizing operating budget savings, a number of measures are being implemented to generate greater efficiency and effectiveness, including an enhanced use of technological advancements, such as teleconferencing and virtual meetings for our adjudication and merit-review processes. SSHRC has also redesigned its program architecture which has resulted in a simpler framework for grant funding and management. A rigorous and cohesive approach to priority setting, project planning and training further helps the Council meet its goals.

Expenditures in the first quarter of 2013-14 are lower than the same period from the previous fiscal year. The difference between the two fiscal years is mainly due to timing difference on grants payments at this stage. The operating expenditures are decreasing, which reflects savings resulting from the implementation of the SSHRC's plan to contribute to government's efforts to return to a balanced budgetary position.

There was no incremental funding was provided to SSHRC to implement cost savings measures.

There are no specific financial risks or uncertainties related to these savings.

Approved by:

Originally signed by:

Chad Gaffield, PhD, FRSC
President, SSHRC

Originally signed by:

Jaime W. Pitfield
Vice-President and Chief Financial Officer, SSHRC

Ottawa, Canada

August 15, 2013

6. Statement of Authorities for the Quarter Ended June 30, 2013

Social Sciences and Humanities Research Council of Canada
Quaterly Financial Report
For the quarter ended June 30, 2013
Statement of Authorities (unaudited)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
(in thousands of dollars)	Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2013*	Used during the quarter ended June 30, 2012	Year-to-date used at quarter-end
Vote 90—Net Operating Expenditures	22,122	5,098	5,098	23,524	4,996	4,996
Vote 95—Grants and Scholarships	661,336	118,434	118,434	662,353	124,549	124,549
Budgetary Statutory Authorities—Employee Benefits Plan	2,610	653	653	2,800	700	700
Total Budgetary Authorities	686,068	124,185	124,185	688,677	130,245	130,245
Non-Budgetary Authorities	-	-	-	-	-	-
Total Authorities	**686,068**	**124,185**	**124,185**	**688,677**	**130,245**	**130,245**

* Includes only Authorities available for use and granted by Parliament at quarter-end.

7. Departmental Budgetary Expenditures by Standard Object (unaudited) for the Quarter ended June 30, 2013

Social Sciences and Humanities Research Council of Canada
Quaterly Financial Report
For the quarter ended June 30, 2013
Departmental Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
(in thousands of dollars)	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year-to-date used at quarter-end
Expenditures						
Personnel	17,611	4,864	4,864	18,720	4,717	4,717
Transportation and communications	1,281	168	168	1,303	294	294
Information	333	24	24	384	13	13
Professional and special services	3,815	481	481	4,100	458	458
Rentals	157	25	25	184	27	27
Repair and maintenance	474	145	145	531	153	153
Utilities, materials and supplies	147	34	34	134	2	2
Acquisition of machinery and equipment	914	10	10	968	32	32
Transfer payments	661,336	118,434	118,434	662,353	124,549	124,549
Total budgetary expenditures	**686,068**	**124,185**	**124,185**	**688,677**	**130,245**	**130,245**